

**REPORT OF THE AUDIT OF THE  
WOLFE COUNTY  
FISCAL COURT**

**For The Fiscal Year Ended  
June 30, 2005**



**CRIT LUALLEN  
AUDITOR OF PUBLIC ACCOUNTS  
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**CRIT LUALLEN**  
**AUDITOR OF PUBLIC ACCOUNTS**

To the People of Kentucky  
Honorable Ernie Fletcher, Governor  
John R. Farris, Secretary  
Finance and Administration Cabinet  
Honorable Raymond Hurst, Wolfe County Judge/Executive  
Members of the Wolfe County Fiscal Court

The enclosed report prepared by Mountjoy & Bressler, LLP, Certified Public Accountants, presents the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Wolfe County, Kentucky, as of and for the year ended June 30, 2005, which collectively comprise the County's basic financial statements.

We engaged Mountjoy & Bressler, LLP, to perform the audit of these financial statements. We worked closely with the firm during our report review process; Mountjoy & Bressler, LLP, evaluated the Wolfe County's internal controls and compliance with applicable laws and regulations.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen".

Crit Luallen  
Auditor of Public Accounts

Enclosure





**EXECUTIVE SUMMARY**  
**AUDIT EXAMINATION OF THE**  
**WOLFE COUNTY FISCAL COURT**

**June 30, 2005**

Mountjoy & Bressler, LLP has completed the audit of the Wolfe County Fiscal Court for fiscal year ended June 30, 2005.

We have issued an unqualified opinion on the governmental activities, each major fund, and aggregate remaining fund information of Wolfe County, Kentucky.

**Financial Condition:**

The fiscal court had net assets of \$2,886,916 as of June 30, 2005. The fiscal court had unrestricted net assets of \$699,510 in its governmental activities as of June 30, 2005, with total net assets of \$2,886,916. The fiscal court had total debt principal as of June 30, 2005 of \$114,000 with \$102,000 due within the next year.

**Report Comment:**

- Lacks Adequate Segregation of Duties

**Deposits:**

The fiscal court's deposits were insured and collateralized by bank securities and bonds.



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To the People of Kentucky  
Honorable Ernie Fletcher, Governor  
John R. Farris, Secretary  
Finance and Administration Cabinet  
Honorable Raymond Hurst, Wolfe County Judge/Executive  
Members of the Wolfe County Fiscal Court

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Wolfe County, Kentucky, as of and for the year ended June 30, 2005, which collectively comprise the County's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Wolfe County Fiscal Court. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 1, Wolfe County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Wolfe County, Kentucky, as of June 30, 2005, and the respective changes in financial position, where applicable, thereof for the year then ended in conformity with the basis of accounting described in Note 1.

The county has not presented the management's discussion and analysis that the Governmental Accounting Standards Board (GASB) has determined is necessary to supplement, although not required to be part of, the basic financial statements. The budgetary comparison information is not a required part of the basic financial statements but is supplementary information required by the GASB. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the budgetary comparison information. However, we did not audit the information and express no opinion on it.

To the People of Kentucky  
Honorable Ernie Fletcher, Governor  
John R. Farris, Secretary  
Finance and Administration Cabinet  
Honorable Raymond Hurst, Wolfe County Judge/Executive  
Members of the Wolfe County Fiscal Court

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Wolfe County, Kentucky's basic financial statements. The accompanying supplementary information, combining fund financial statements, are presented for additional analysis and are not a required part of the basic financial statements. The combining fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation of the basic financial statements taken as a whole.

In accordance with Government Auditing Standards, we have also issued our report dated June 6, 2006 on our consideration of Wolfe County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Based on the results of our audit, we present the accompanying comment and recommendation, included herein, which discusses the following report comment:

- Lacks Adequate Segregation Of Duties

Respectfully submitted,

*Mountjoy & Bressler, LLP.*

Mountjoy & Bressler, LLP

Audit fieldwork completed -  
June 6, 2006

WOLFE COUNTY OFFICIALS

For The Year Ended June 30, 2005

**Fiscal Court Members:**

Raymond Hurst	County Judge/Executive
C.B. Gilbert	Magistrate
Marvin Carson	Magistrate
Garrett Denniston	Magistrate

**Other Elected Officials:**

Stephen Johnson	County Attorney
Dennis Brooks	Jailer
Kenneth Lindon	County Clerk
Susan Neff	Circuit Court Clerk
Henry "Rocky" Dunn	Sheriff
Joseph Dunn	Property Valuation Administrator
James Porter	Coroner

**Appointed Personnel:**

Reva Terrill	County Treasurer
Barbara Phillips	Occupational Tax Collector
Barbara Phillips	Finance Officer

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**WOLFE COUNTY**  
**STATEMENT OF NET ASSETS - MODIFIED CASH BASIS**

**June 30, 2005**



**WOLFE COUNTY**  
**STATEMENT OF NET ASSETS - MODIFIED CASH BASIS**

**June 30, 2005**

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Current Assets:	
Cash and Cash Equivalents	\$ 1,716,425
Total Current Assets	<u>1,716,425</u>
Noncurrent Assets:	
Capital Assets - Net of Accumulated Depreciation	
Land and Land Improvements	39,351
Buildings	463,754
Other Equipment	50,058
Vehicles and Equipment	520,819
Infrastructure Assets - Net of Depreciation	<u>210,509</u>
Total Noncurrent Assets	<u>1,284,491</u>
Total Assets	<u>3,000,916</u>
<b>LIABILITIES</b>	
Current Liabilities:	
Financing Obligations Payable	<u>102,000</u>
Total Current Liabilities	<u>102,000</u>
Noncurrent Liabilities:	
Financing Obligations Payable	<u>12,000</u>
Total Noncurrent Liabilities	<u>12,000</u>
Total Liabilities	<u>114,000</u>
<b>NET ASSETS</b>	
Invested in Capital Assets, Net of Related Debt	1,170,491
Restricted For:	
Capital Projects	1,016,915
Unrestricted	<u>699,510</u>
Total Net Assets	<u><u>\$ 2,886,916</u></u>

The accompanying notes are an integral part of the financial statements.

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**WOLFE COUNTY**  
**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**  
**For The Year Ended June 30, 2005**

**WOLFE COUNTY**  
**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2005**

		Program Revenues Received		
Functions/Programs Reporting Entity	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government	\$ 698,297	\$ 67,658	\$ 93,939	\$ 197,954
Protection to Persons and Property	304,510	16,899	83,582	16,000
General Health and Sanitation	75,095	400		
Social Services	7,321			
Recreation and Culture	2,331			
Roads	627,808	202,951	78,600	776,481
Debt Service	3,253			
Capital Projects	178,644			
Total Governmental Activities	1,897,259	287,908	256,121	990,435
Total Primary Government	\$ 1,897,259	\$ 287,908	\$ 256,121	\$ 990,435

**General Revenues:**

Taxes:  
     Real Property Taxes  
     Personal Property Taxes  
     Motor Vehicle Taxes  
     Other Taxes  
 Excess Fees  
 Gain on sale of asset  
 Miscellaneous Revenues  
 Accrued Interest Received  
  
 Total General Revenues  
 Change in Net Assets  
 Net Assets - Beginning  
  
 Net Assets - Ending

The accompanying notes are an integral part of the financial statements.

**WOLFE COUNTY**  
**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**  
**For The Year Ended June 30, 2005**  
**(Continued)**

<b>Net (Expenses) Revenues and Changes in Net Assets</b>	
<b>Primary Government</b>	
<b>Governmental Activities</b>	
\$	(338,746)
	(188,029)
	(74,695)
	(7,321)
	(2,331)
	430,224
	(3,253)
	(178,644)
	(362,795)
	(362,795)
	74,797
	7,822
	26,862
	403,278
	15,229
	13,088
	59,867
	10,037
	610,980
	248,185
	2,638,731
\$	2,886,916

The accompanying notes are an integral part of the financial statements.

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**WOLFE COUNTY**  
**BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**June 30, 2005**

**WOLFE COUNTY**  
**BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**June 30, 2005**

	<b>General Fund</b>	<b>Road Fund</b>	<b>Jail Fund</b>	<b>Local Government Economic Assistance Fund</b>	<b>Local Government Economic Development Fund</b>
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 137,712	\$ 462,661	\$ 15,489	\$ 66,608	\$
Total Assets	<u>137,712</u>	<u>462,661</u>	<u>15,489</u>	<u>66,608</u>	<u>\$</u>
<b>FUND BALANCES</b>					
Reserved for:					
Encumbrances	\$ 1,315	\$ 11,704	\$ 600	\$	\$
Unreserved:					
General Fund	136,397				
Special Revenue Funds		450,957	14,889	66,608	
Capital Projects Fund					
Total Fund Balances	<u>\$ 137,712</u>	<u>\$ 462,661</u>	<u>\$ 15,489</u>	<u>\$ 66,608</u>	<u>\$ 0</u>

The accompanying notes are an integral part of the financial statements.

**WOLFE COUNTY**  
**BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**June 30, 2005**  
**(Continued)**

<b>Special Projects Fund</b>	<b>Non- Major Funds</b>	<b>Total Governmental Funds</b>
\$ 1,016,914	\$ 17,041	\$ 1,716,425
<u>1,016,914</u>	<u>17,041</u>	<u>1,716,425</u>
\$	\$	\$ 13,619
		136,397
		17,041
		549,495
<u>1,016,914</u>	<u>17,041</u>	<u>1,016,914</u>
<u>\$ 1,016,914</u>	<u>\$ 17,041</u>	<u>\$ 1,716,425</u>

**Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets**

Total Fund Balances	\$ 1,716,425
Amounts Reported For Governmental Activities In The Statement	
Of Net Assets Are Different Because:	
Capital Assets Used in Governmental Activities Are Not Financial Resources	
And Therefore Are Not Reported in the Funds.	1,943,816
Accumulated Depreciation	(659,325)
Long-term debt is not due and payable in the current period and, therefore, is not reported in the funds.	
Financing Obligations	<u>(114,000)</u>
Net Assets Of Governmental Activities	<u>\$ 2,886,916</u>

The accompanying notes are an integral part of the financial statements.

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**WOLFE COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2005**

**WOLFE COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2005**

	<b>General Fund</b>	<b>Road Fund</b>	<b>Jail Fund</b>	<b>Local Government Economic Assistance Fund</b>	<b>Local Government Economic Development Fund</b>
<b>REVENUES</b>					
Taxes	\$ 483,085	\$	\$	\$	\$
In Lieu Tax Payments	22,552	3,099			
Excess Fees	15,229				
Licenses and Permits	1,785				
Intergovernmental	186,947	894,145	64,243	170,334	150,000
Charges for Services	295				
Miscellaneous	53,246	117,834	13	13	
Interest	893	3,012	23	413	
Total Revenues	<u>764,032</u>	<u>1,018,090</u>	<u>64,279</u>	<u>170,760</u>	<u>150,000</u>
<b>EXPENDITURES</b>					
General Government	436,085			22,081	
Protection to Persons and Property	119,779		214,246	10,736	
General Health and Sanitation	66,055			9,040	
Social Services				5,970	
Recreation and Culture				342	
Roads		693,935		80,070	
Debt Service	12,895	92,300		2,258	
Capital Projects		39,432			184,500
Administration	104,498	72,830	9,580	10,387	
Total Expenditures	<u>739,312</u>	<u>898,497</u>	<u>223,826</u>	<u>140,884</u>	<u>184,500</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>24,720</u>	<u>119,593</u>	<u>(159,547)</u>	<u>29,876</u>	<u>(34,500)</u>
<b>Other Financing Sources (Uses)</b>					
Financing Obligation Proceeds		90,000			
Transfers From Other Funds	128,502		173,990		
Transfers To Other Funds	(161,000)	(128,502)		(12,990)	
Total Other Financing Sources (Uses)	<u>(32,498)</u>	<u>(38,502)</u>	<u>173,990</u>	<u>(12,990)</u>	
Net Change in Fund Balances	(7,778)	81,091	14,443	16,886	(34,500)
Fund Balances - Beginning	145,490	381,570	1,046	49,722	34,500
Fund Balances - Ending	<u>\$ 137,712</u>	<u>\$ 462,661</u>	<u>\$ 15,489</u>	<u>\$ 66,608</u>	<u>\$ 0</u>

The accompanying notes are an integral part of the financial statements.

**WOLFE COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**For The Year Ended June 30, 2005**  
**(Continued)**

<b>Special Projects Fund</b>	<b>Non- Major Funds</b>	<b>Total Governmental Funds</b>
\$	\$	\$ 483,085
		25,651
		15,229
	2,480	4,265
48,096		1,513,765
		295
1,955	903	173,964
5,682	14	10,037
<u>55,733</u>	<u>3,397</u>	<u>2,226,291</u>
46,823		504,989
	2,094	346,855
		75,095
		5,970
		342
		774,005
		107,453
	1,882	225,814
10,513		207,808
<u>57,336</u>	<u>3,976</u>	<u>2,248,331</u>
(1,603)	(579)	(22,040)
		90,000
	13,500	315,992
	(13,500)	(315,992)
		<u>90,000</u>
(1,603)	(579)	67,960
1,018,517	17,620	1,648,465
<u>\$ 1,016,914</u>	<u>\$ 17,041</u>	<u>\$ 1,716,425</u>

The accompanying notes are an integral part of the financial statements.

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**WOLFE COUNTY  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2005**



**WOLFE COUNTY**  
**RECONCILIATION OF THE STATEMENT OF REVENUES,**  
**EXPENDITURES, AND CHANGES IN FUND BALANCES OF**  
**GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2005**

**Reconciliation to the Statement of Activities:**

Net Change in Fund Balances - Total Governmental Funds	\$	67,960
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Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense.

Capital Outlay		364,775
Disposal of Assets, Net Book Value		(80,842)
Depreciation Expense		(117,908)

The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds. These transactions, however, have no effect on net assets.

Financing Obligation Proceeds		(90,000)
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Lease and bond principal payments are expensed in the Governmental Funds as a use of current financial resources. These transactions, however, have no effect on net assets.

Financing Obligations Principal Payments		104,200
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Change in Net Assets of Governmental Activities	\$	248,185
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TO THE FINANCIAL STATEMENTS**

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**WOLFE COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2005**

**Note 1. Summary of Significant Accounting Policies**

**A. Basis of Presentation**

The county presents its government-wide and fund financial statements in accordance with a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received and expenditures when paid. Notes receivable are recognized on the Statement of Net Assets, but notes receivable are not included and recognized on Balance Sheet - Governmental Funds. Property tax receivables, accounts payable, compensated absences, and donated assets are not reflected in the financial statements.

Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance (Reserved for Encumbrances).

The State Local Finance Officer does not require the county to report capital assets and infrastructure; however the value of these assets is included in the Statement of Net Assets and the corresponding depreciation expense is included on the Statement of Activities.

**B. Reporting Entity**

The financial statements of Wolfe County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14 and GASB 39, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Consequently, the reporting entity includes organizations that are legally separate from the primary government. Legally separate organizations are reported as component units if either the county is financially accountable or the organization's exclusion would cause the county's financial statements to be misleading or incomplete. Component units may be blended or discretely presented. Blended component units either provide their services exclusively or almost entirely to the primary government, or their governing bodies are substantively the same as the primary government. All other component units are discretely presented. Wolfe County Fiscal Court does not have any component units, blended or discretely presented.

**WOLFE COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2005**  
**(Continued)**

**C. Wolfe County Elected Officials**

Kentucky law provides for election of the officials below from the geographic area constituting Wolfe County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices. These financial statements are not required to be included in the financial statements of Wolfe County, Kentucky.

- Circuit Court Clerk
- County Attorney
- Property Valuation Administrator
- County Clerk
- County Sheriff

**D. Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the county. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities are supported by taxes and intergovernmental revenues.

The statement of net assets presents the reporting entity's non-fiduciary assets and liabilities, the difference between the two being reported as net assets. Net assets are reported in three categories: 1) invested in capital assets, net of related debt - consisting of capital assets, net of accumulated depreciation and reduced by outstanding balances for debt related to the acquisition, construction, or improvement of those assets; 2) restricted net assets - resulting from constraints placed on net assets by creditors, grantors, contributors, and other external parties, including those constraints imposed by law through constitutional provisions or enabling legislation; and 3) unrestricted net assets - those assets that do not meet the definition of restricted net assets or invested in capital assets.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; 2) operating grants and contributions; and 3) capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Internally dedicated resources such as taxes and unrestricted state funds are reported as general revenues.

Funds are characterized as either major or non-major. Major funds are those whose assets, liabilities, revenues, or expenditures/expenses are at least ten percent of the corresponding total (assets, liabilities, etc.) for all funds or type (governmental or proprietary) and whose total assets, liabilities, revenues, or expenditures/expenses are at least five percent of the corresponding total for all governmental and enterprise funds combined. The fiscal court may also designate any fund as major.

**WOLFE COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2005**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**D. Government-wide and Fund Financial Statements (Continued)**

**Governmental Funds**

All governmental fund statements are reported using the current financial resources measurement focus and the modified cash basis of accounting. The modified cash basis recognizes revenues when received and expenditures when paid. Property tax receivables, accounts payable, compensated absences and donated assets are not reflected in the financial statements.

The County reports the following major governmental funds:

**General Fund** - This is the primary operating fund of the fiscal court. It accounts for all financial resources of the general government, except where the Governor's Office for Local Development requires a separate fund or where management requires that a separate fund be used for some function.

**Road Fund** - This fund is for road and bridge construction and repair. The primary source of revenue for this fund is state payments for truck licenses distribution, municipal road aid, and transportation grants. The Governor's Office for Local Development requires the fiscal court to maintain these revenues and expenditures separately from the General Fund.

**Jail Fund** - The primary purpose of this fund is to account for the jail expenses of the county. The primary sources of revenue for this fund are reimbursements from the state and federal government, payments from other counties for housing prisoners, and transfers from the General Fund. The Governor's Office for Local Development requires the fiscal court to maintain these revenues and expenditures separately from the General Fund.

**Local Government Economic Assistance Fund** – The purpose of this fund is to account for the local government development funds received from the state government. The funds may be used for roads, protection of persons and property, social services, and general health and sanitation expenditures.

**Local Government Economic Development Fund** – The purpose of this fund is to account for local government economic development funds received from the state government. The funds may be used for road equipment.

**Special Projects Fund** – The purpose of this fund is to account for economic development revenues for Wolfe County Fiscal Court. The primary source of the money for the county is reimbursements from a company for a Community Development Block Grant received. The funds may be used for economic development.

The government also has the following non-major funds: Area Development Fund, Fire Protection Fund, and the Cemetery Fund.

**Special Revenue Funds:**

The Road Fund, Jail Fund, Local Government Economic Assistance Fund, Local Government Economic Development Fund, Area Development Fund, Fire Protection Fund, and Cemetery Fund are presented as special revenue funds. Special revenue funds are used to account for the proceeds of specific revenue sources and expenditures that are legally restricted for specific purposes.

**WOLFE COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2005**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**D. Government-wide and Fund Financial Statements (Continued)**

Capital Projects Fund:

The Special Projects Fund is presented as a capital projects fund. Capital projects funds are used to account for the financial resources to be used for the acquisition or construction of major capital facilities.

Generally, and except as otherwise provided by law, property taxes are assessed as of January 1, levied (mailed) November 1, due at discount November 30, due at face value December 31, delinquent January 1 following the assessment, and subject to lien and sale on April 30<sup>th</sup>, following the delinquency date.

**E. Deposits and Investments**

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

**F. Capital Assets**

Capital assets, which include land, land improvements, buildings, furniture and office equipment, building improvements, machinery, equipment, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported in the applicable governmental or business-type activities of the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed.

Cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Land and Construction In Progress are not depreciated. Interest incurred during construction is not capitalized. Capital assets and infrastructure are depreciated using the straight-line method of depreciation over the estimated useful life of the asset. The County is only reporting infrastructure put in place on or after July 1, 2003.

	Capitalization Threshold	Useful Life (Years)
Land Improvements	\$ 12,500	10-60
Buildings and Building Improvements	\$ 25,000	10-75
Machinery and Equipment	\$ 2,500	3-25
Vehicles	\$ 2,500	3-25
Infrastructure	\$ 20,000	10-50

**WOLFE COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2005**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**G. Long-term Obligations**

In the government-wide financial statements, long term debt and other long-term obligations are reported as liabilities in the applicable financial statements. The principal amount of bonds, notes, and financing obligations are reported.

In the fund financial statements, governmental fund types recognize bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest are reported as expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures. Debt proceeds are reported as other financing sources.

**H. Fund Equity**

In the fund financial statements, the difference between the assets and liabilities of governmental funds is reported as fund balance. Fund balance is divided into reserved and unreserved components, with unreserved considered available for new spending. Unreserved fund balances may be divided into designated and undesignated portions. Designations represent fiscal court's intended use of the resources and should reflect actual plans approved by the fiscal court.

Governmental funds report reservations of fund balance for amounts that are legally restricted by outside parties for use for a specific purpose, long-term receivables, and encumbrances.

"Reserved for Encumbrances" are purchase orders that will be fulfilled in a subsequent fiscal period. Although the purchase order or contract creates a legal commitment, the fiscal court incurs no liability until performance has occurred on the part of the party with whom the fiscal court has entered into the arrangement. When a government intends to honor outstanding commitments in subsequent periods, such amounts are encumbered. Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however, encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance.

**I. Budgetary Information**

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

**J. Joint Venture**

A legal entity or other organization that results from a contractual agreement and that is owned, operated, or governed by two or more participants as a separate activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility is a joint venture. Based upon these criteria, the following is considered a joint venture of the Wolfe County Fiscal Court:

**WOLFE COUNTY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2005  
(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**K. Joint Venture (Continued)**

**Three Forks Regional Jail**

On October 6, 2000, the Counties of Lee, Owsley and Wolfe (the participating counties) entered into a Interlocal Cooperation Agreement in order to provide for joint and cooperative action in the acquisition, construction, installation, maintenance and financing of the Three Forks Regional Jail. Pursuant to this interlocal agreement, Lee County (the lead county) established the Three Forks Public Properties Corporation, a legally separate organization, to act as an agency and instrumentality of the participating counties in financing the acquisition and construction of the Three Forks Regional Jail. On December 1, 2000 the cooperation issued \$6,295,000 of first mortgage revenue bonds.

The only source of funds expected by the Three Forks Public Properties Corporation to meet the debt service requirements on the bonds are the rental payments from the participating counties, as stipulated in the lease and sublease agreements dated October 1, 2000. Pursuant to the lease and sublease, each participating county covenants to meet its proportionate share of the debt service requirements on the bond as follows (the "proportionate share" or "use allowance"): 40% for Lee County, 22% for Owsley County, and 38% for Wolfe County.

By execution of the lease and subleases, each county is obligated for the amount of its proportionate share, plus any operating cost allowance required under the lease and subleases.

Each county is liable solely for its own proportionate share of total annual debt service on the bonds and no one county is liable for another county's debt. Payment of the annual debt service on the bonds is dependent on each participating county paying its respected amount of its use allowance as rent under the lease or sublease, as the case may be, in full.

Each county has agreed in its lease and sublease agreements in the event that a county can not pay its indebtedness, an Advalorem Tax will be levied in that county for the amount sufficient to provide full payment for the county's rental due for that year.

On December 1, 2000 the three participating counties established the Three Forks Regional Jail Authority pursuant to the provisions of KRS 441.800 and KRS 441.810 to act as the constituted authority of the participating counties in the acquisition, construction, equipping and operation of the Three Forks Regional Jail.

It is anticipated under the management agreement that the three participating counties will share equally in the operating cost of the facility based on a daily bed allocation of 15 beds at \$25 per day at take-or-pay basis. It is anticipated under the management agreement that the counties will not be required to make additional payments in order to support the operation of the facility; however, should there be a short fall in operating revenue, the counties will pay equally to the authority, those monies required to meet the debt service and operational costs. During the year under audit Wolfe County was required to make a one-time payment of \$100,000 to meet operational costs of the facility.

The Three Forks Regional Jail Authority and the Three Forks Public Property Corporation are comprised of an eight (8)-member board of directors. Lee County appoints three of the eight members. Wolfe and Owsley counties appoint two members each. In addition the Lee County Jailer is a required member of the board.

**WOLFE COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2005**  
**(Continued)**

**Note 2. Deposits**

The County maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) in accordance with KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with

FDIC insurance equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met.

**A. Custodial Credit Risk - Deposits**

Custodial credit risk is the risk that in the event of a depository institutions failure, the County may not recover its deposits. The County does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of June 30, 2005, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

**WOLFE COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2005**  
**(Continued)**

**Note 3. Capital Assets**

Capital asset activity for the year ended June 30, 2005 was as follows:

	Reporting Entity			
	Beginning Balance	Increases	Decreases	Ending Balance
<b>Primary Government:</b>				
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land and Land Improvements	39,351			39,351
Total Capital Assets Not Being Depreciated	39,351			39,351
Capital Assets, Being Depreciated:				
Buildings	762,402			762,402
Other Equipment	46,897	33,947		80,844
Vehicles and Equipment	713,668	215,720	(109,269)	820,119
Infrastructure	125,993	115,107		241,100
Total Capital Assets Being Depreciated	1,648,960	364,774	(109,269)	1,904,465
Less Accumulated Depreciation For:				
Buildings	(286,456)	(12,192)		(298,648)
Other Equipment	(23,658)	(7,128)		(30,786)
Vehicles and Equipment	(249,231)	(78,496)	28,427	(299,300)
Infrastructure	(10,499)	(20,092)		(30,591)
Total Accumulated Depreciation	(569,844)	(117,908)	28,427	(659,325)
Total Capital Assets, Being Depreciated, Net	1,079,116	246,866	(80,842)	1,245,140
Governmental Activities Capital Assets, Net	\$ 1,118,467	\$ 246,866	\$ (80,842)	\$ 1,284,491

Depreciation expense was charged to functions of the primary government as follows:

<u>Governmental Activities:</u>	
General Government	\$ 13,110
Protection to Persons and Property	40,240
Recreation and Culture	1,989
Social Services	1,351
Roads, Including Depreciation of General Infrastructure Assets	<u>61,218</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 117,908</u>



**WOLFE COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2005**  
**(Continued)**

**Note 4. Financing Obligations**

**A. Kentucky Area Development District Leasing Trust - Sheriff's Cruiser**

On October 13, 1999, the Fiscal Court entered into a capital lease agreement with Kentucky Area Development District for the purpose of purchasing a new Sheriff's cruiser. The original principal of the lease was \$22,000 with repayment to be made over a five-year period. The County has paid semiannual installments in May and November in accordance with the lease terms to complete the contract. The final principal and interest payment was made in November 2004. There are no further amounts due to Kentucky Area Development District for this capital lease.

**B. Kentucky Area Development District Leasing Trust - Senior Citizens' Building**

On April 9, 1997, the Fiscal Court entered into a capital lease agreement with Kentucky Area Development District for the purpose of constructing a Senior Citizens' Building. The original principal of the lease was \$97,000 with repayment to be made over a ten-year period. The County has made semiannual installments due in May and November in accordance the lease terms to complete the contract. In November 2003, the County refinanced this lease for a lower interest rate and reduced the payments. The initial interest rate was 6.24% and the refinanced rate is 2.64%. The principal balance of the agreement was \$24,000 as of June 30, 2005. Principal payment requirements and scheduled interest for the remaining term of the contract are presented below.

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest & Fees
2006	\$ 12,000	\$ 635
2007	12,000	288
Totals	<u>\$ 24,000</u>	<u>\$ 923</u>

**C. Kentucky Area Development District Leasing Trust - Dump Truck**

On October 13, 1999, the Fiscal Court entered into a capital lease agreement with Kentucky Area Development District for the purpose of purchasing a new dump truck. The principal of the agreement was \$90,000 with repayment to be made on April 20, 2005. The County paid the principal and interest and fees totaling \$2,300 in the current Fiscal Year. There are no further amounts due to Kentucky Area Development District for this capital lease.

**WOLFE COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2005**  
**(Continued)**

**Note 4. Financing Obligations (Continued)**

**D. Kentucky Area Development District Leasing Trust - Dump Truck**

On March 10, 2005, the Fiscal Court entered into a capital lease agreement with Kentucky Area Development District for the purpose of purchasing a new dump truck. The principal of the agreement was \$90,000 with repayment to be made on April 1, 2006. The County will make semiannual installments in October and April in accordance with the lease terms. The principal balance of the agreement was \$90,000 as of June 30, 2005. Principal payment requirements and scheduled interest for the remaining term of the contract are presented below.

**Dump Truck**

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2006	90,000	3,358
Totals	<u>\$ 90,000</u>	<u>\$ 3,358</u>

**E. Changes In Long-term Liabilities**

Long-term liability activity for the year ended June 30, 2005, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Primary Government:</b>					
<u>Governmental Activities:</u>					
Financing Obligations	<u>\$ 128,200</u>	<u>\$ 90,000</u>	<u>\$ 104,200</u>	<u>\$ 114,000</u>	<u>\$ 102,000</u>
Governmental Activities					
Long-term Liabilities	<u>\$ 128,200</u>	<u>\$ 90,000</u>	<u>\$ 104,200</u>	<u>\$ 114,000</u>	<u>\$ 102,000</u>

**WOLFE COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2005**  
**(Continued)**

**Note 5. Employee Retirement System**

The fiscal court has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost sharing multiple-employer defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 8.48 percent. Hazardous covered employees are required to contribute 8 percent of their salary to the plan. The county's contribution rate for hazardous employees was 22.08 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

**Note 6. Insurance**

For the fiscal year ended June 30, 2005, Wolfe County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

**Note 7. Other Matters**

On May 27, 2005, the Auditor of Public Accounts issued an Independent Auditor's Report on the June 30, 2004, financial statements of the Three Forks Regional Jail Authority. This report outlines that the Three Forks Regional Jail (a joint venture of the Wolfe County Fiscal Court) has suffered recurring losses from operations and has a net assets deficiency that raises substantial doubt about its ability to continue as a going concern. The financial situation of the Three Forks Regional Jail has a severe and direct impact on the Wolfe County Fiscal Court's current and future budgets. Wolfe County's commitment to the Three Forks Regional Jail is outlined in Note 1. A copy of the Three Forks Regional Jail Authority's audit report may be obtained at [www.auditor.ky.gov](http://www.auditor.ky.gov), or by writing to the Auditor of Public Accounts, 105 Sea Hero Road, Suite 2, Frankfort, Kentucky 40601, or by telephone at (502) 573-0050.

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**WOLFE COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**  
**For The Year Ended June 30, 2005**



**WOLFE COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**  
**For The Year Ended June 30, 2005**

	<b>GENERAL FUND</b>			
	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts, (Budgetary Basis)</b>	<b>Final Budget Positive (Negative)</b>
<b>REVENUES</b>				
Taxes	\$ 417,900	\$ 425,974	\$ 483,085	\$ 57,111
In Lieu Tax Payments	18,000	18,000	22,552	4,552
Excess Fees		15,229	15,229	
Licenses and Permits	1,500	1,783	1,785	2
Intergovernmental Revenue	43,950	131,773	186,947	55,174
Charges for Services	100	295	295	
Miscellaneous	16,100	24,400	53,246	28,846
Interest	1,000	1,000	893	(107)
Total Revenues	<u>\$ 498,550</u>	<u>\$ 618,454</u>	<u>\$ 764,032</u>	<u>\$ 145,578</u>
<b>EXPENDITURES</b>				
General Government	379,418	440,619	436,085	4,534
Protection to Persons and Property	66,752	96,960	119,779	(22,819)
General Health and Sanitation	17,930	66,322	66,055	267
Debt Service	12,870	12,895	12,895	
Administration	132,016	104,665	104,498	167
Total Expenditures	<u>\$ 608,986</u>	<u>\$ 721,461</u>	<u>\$ 739,312</u>	<u>\$ (17,851)</u>
Excess (Deficiency) of Revenues Over Financing Sources (Uses)	<u>(110,436)</u>	<u>(103,007)</u>	<u>24,720</u>	<u>127,727</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers From Other Funds	128,502	128,502	128,502	
Transfers To Other Funds	(158,066)	(170,066)	(161,000)	9,066
Total Other Financing Sources (Uses)	<u>\$ (29,564)</u>	<u>\$ (41,564)</u>	<u>\$ (32,498)</u>	<u>\$ 9,066</u>
Net Changes in Fund Balance	(140,000)	(144,571)	(7,778)	136,793
Fund Balance - Beginning	<u>140,000</u>	<u>144,571</u>	<u>145,490</u>	<u>919</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 137,712</u>	<u>\$ 137,712</u>

**WOLFE COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**  
**For The Year Ended June 30, 2005**  
**(Continued)**

	<b>ROAD FUND</b>			
	<b>Budgeted Amounts</b>		<b>Actual Amounts, (Budgetary Basis)</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
In Lieu Tax Payments	\$ 3,321	\$ 3,321	\$ 3,099	\$ (222)
Intergovernmental Revenue	777,065	817,241	894,145	76,904
Miscellaneous	100	1,642	117,834	116,192
Interest	4,000	3,999	3,012	(987)
Total Revenues	<u>\$ 784,486</u>	<u>\$ 826,203</u>	<u>\$ 1,018,090</u>	<u>\$ 191,887</u>
<b>EXPENDITURES</b>				
Roads	\$ 680,583	\$ 698,318	\$ 603,935	\$ 94,383
Debt Service	91,150	92,300	92,300	
Capital Projects	50,000	50,000	39,432	10,568
Administration	80,298	103,130	72,830	30,300
Total Expenditures	<u>\$ 902,031</u>	<u>\$ 943,748</u>	<u>\$ 808,497</u>	<u>\$ 135,251</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(117,545)</u>	<u>(117,545)</u>	<u>209,593</u>	<u>327,138</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Financing Obligation Proceeds				
Transfers To Other Funds	<u>(128,502)</u>	<u>(128,502)</u>	<u>(128,502)</u>	
Total Other Financing Sources (Uses)	<u>(128,502)</u>	<u>(128,502)</u>	<u>(128,502)</u>	
Net Changes in Fund Balance	(246,047)	(246,047)	81,091	327,138
Fund Balance - Beginning	<u>246,047</u>	<u>246,047</u>	<u>381,570</u>	<u>135,523</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 462,661</u>	<u>\$ 462,661</u>

**Reconciliation to Statement of Revenues, Expenditures and Changes in Fund Balance - Road Fund**

Total Expenditures - Budgetary Basis	\$ 808,497
Plus: Purchase of Dump Truck	90,000
Total Expenditures - Modified Cash Basis	<u>\$ 898,497</u>
Total Other Financing Sources (Uses) - Budgetary Basis	\$ (128,502)
Financing Obligation Proceeds	90,000
Total Other Financing Sources (Uses) - Modified Cash Basis	<u>\$ (38,502)</u>



**WOLFE COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**  
**For The Year Ended June 30, 2005**  
**(Continued)**

	<b>JAIL FUND</b>			
	<b>Budgeted Amounts</b>		<b>Actual Amounts, (Budgetary Basis)</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Intergovernmental Revenue	\$ 52,544	\$ 60,827	\$ 64,243	\$ 3,416
Miscellaneous		11	13	2
Interest	16	16	23	7
Total Revenues	<u>\$ 52,560</u>	<u>\$ 60,854</u>	<u>\$ 64,279</u>	<u>\$ 3,425</u>
<b>EXPENDITURES</b>				
Protection to Persons and Property	\$ 200,875	\$ 234,605	\$ 214,246	\$ 20,359
Administration	10,251	10,351	9,580	771
Total Expenditures	<u>\$ 211,126</u>	<u>\$ 244,956</u>	<u>\$ 223,826</u>	<u>\$ 21,130</u>
Excess (Deficiency) of Revenues Over Financing Sources (Uses)	<u>(158,566)</u>	<u>(184,102)</u>	<u>(159,547)</u>	<u>24,555</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers From Other Funds	158,066	183,056	173,990	(9,066)
Total Other Financing Sources (Uses)	<u>158,066</u>	<u>183,056</u>	<u>173,990</u>	<u>(9,066)</u>
Net Changes in Fund Balance	(500)	(1,046)	14,443	15,489
Fund Balance - Beginning	500	1,046	1,046	
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 15,489</u>	<u>\$ 15,489</u>

**WOLFE COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**  
**For The Year Ended June 30, 2005**  
**(Continued)**

<b>LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND</b>				
	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts, (Budgetary Basis)</b>	<b>Final Budget Positive (Negative)</b>
<b>REVENUES</b>				
Intergovernmental Revenue	\$ 123,688	\$ 123,688	\$ 170,334	\$ 46,646
Miscellaneous			13	13
Interest	200	200	413	213
Total Revenues	<u>123,888</u>	<u>123,888</u>	<u>170,760</u>	<u>46,872</u>
<b>EXPENDITURES</b>				
General Government	28,072	26,677	22,081	4,596
Protection to Persons and Property	10,574	10,874	10,736	138
General Health and Sanitation	9,301	10,396	9,040	1,356
Social Services	8,060	8,060	5,970	2,090
Recreation and Culture	1,000	900	342	558
Roads	86,833	86,833	80,070	6,763
Debt Service	2,259	2,259	2,258	1
Capital Projects				
Administration	14,521	14,621	10,387	4,234
Total Expenditures	<u>160,620</u>	<u>160,620</u>	<u>140,884</u>	<u>19,736</u>
Excess (Deficiency) of Revenues Over Financing Sources (Uses)	<u>(36,732)</u>	<u>(36,732)</u>	<u>29,876</u>	<u>66,608</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers To Other Funds		(12,990)	(12,990)	
Total Other Financing Sources (Uses)		<u>(12,990)</u>	<u>(12,990)</u>	
Net Changes in Fund Balances	(36,732)	(49,722)	16,886	66,608
Fund Balances - Beginning	<u>36,732</u>	<u>49,722</u>	<u>49,722</u>	
Fund Balances - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 66,608</u>	<u>\$ 66,608</u>

**WOLFE COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**  
**For The Year Ended June 30, 2005**  
**(Continued)**

**LOCAL GOVERNMENT ECONOMIC DEVELOPMENT FUND**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts,</u>	<u>Final Budget</u>
			<u>(Budgetary</u>	<u>Positive</u>
			<u>Basis)</u>	<u>(Negative)</u>
<b>REVENUES</b>				
Intergovernmental Revenues	\$ 75,000	\$ 84,500	\$ 150,000	\$ 65,500
Total Revenues	<u>75,000</u>	<u>84,500</u>	<u>150,000</u>	<u>65,500</u>
<b>EXPENDITURES</b>				
Capital Projects	<u>75,000</u>	<u>184,500</u>	<u>184,500</u>	
Total Expenditures	<u>75,000</u>	<u>184,500</u>	<u>184,500</u>	
Excess (Deficiency) of Revenues Over Financing Sources (Uses)		<u>(100,000)</u>	<u>(34,500)</u>	<u>65,500</u>
Net Changes in Fund Balances		<u>(100,000)</u>	<u>(34,500)</u>	<u>65,500</u>
Fund Balances - Beginning			<u>34,500</u>	<u>34,500</u>
Fund Balances - Ending	<u>\$ 0</u>	<u>\$ (100,000)</u>	<u>\$ 0</u>	<u>\$ 100,000</u>

**WOLFE COUNTY**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

**June 30, 2005**

**Budgetary Information**

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

**WOLFE COUNTY  
COMBINING BALANCE SHEET -  
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS  
Other Supplementary Information**

**June 30, 2005**



**WOLFE COUNTY**  
**COMBINING BALANCE SHEET -**  
**NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**Other Supplementary Information**

**June 30, 2005**

	<b>Area Development Fund</b>	<b>Fire Protection Fund</b>	<b>Cemetery Fund</b>	<b>Total Non-Major Governmental Funds</b>
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 968	\$ 7,950	\$ 8,123	\$ 17,041
Total Assets	<u>968</u>	<u>7,950</u>	<u>8,123</u>	<u>17,041</u>
<b>FUND BALANCES</b>				
Special Revenue Funds	<u>968</u>	<u>7,950</u>	<u>8,123</u>	<u>17,041</u>
Total Fund Balances	<u>\$ 968</u>	<u>\$ 7,950</u>	<u>\$ 8,123</u>	<u>\$ 17,041</u>

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**WOLFE COUNTY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**Other Supplementary Information**  
**For The Year Ended June 30, 2005**



**WOLFE COUNTY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**Other Supplementary Information**

**For The Year Ended June 30, 2005**

	<b>Area Development Fund</b>	<b>Fire Protection Fund</b>	<b>Cemetery Fund</b>	<b>Non-Major Governmental Funds</b>
<b>REVENUES</b>				
License and Permits	\$	\$ 2,480	\$	\$ 2,480
Miscellaneous			903	903
Interest	14			14
Total Revenues	<u>14</u>	<u>2,480</u>	<u>903</u>	<u>3,397</u>
<b>EXPENDITURES</b>				
Protection to Persons and Property		2,094		2,094
Capital Projects	1,882			1,882
Total Expenditures	<u>1,882</u>	<u>2,094</u>		<u>3,976</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(1,868)</u>	<u>386</u>	<u>903</u>	<u>(579)</u>
Net Change in Fund Balances	(1,868)	386	903	(579)
Fund Balances - Beginning	2,836	7,564	7,220	17,620
Fund Balances - Ending	<u>\$ 968</u>	<u>\$ 7,950</u>	<u>\$ 8,123</u>	<u>\$ 17,041</u>

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**WOLFE COUNTY  
COMMENT AND RECOMMENDATION**

**For The Year Ended June 30, 2005**



**WOLFE COUNTY**  
**COMMENT AND RECOMMENDATION**

**Fiscal Year Ended June 30, 2005**

**REPORTABLE CONDITION**

**Lacks Adequate Segregation of Duties**

The County has a lack of adequate segregation of duties. Due to the entity's diversity of official operations, small size and budget restrictions, the County has limited options for establishing an adequate segregation of duties. We recommend the following compensating controls be implemented to offset this internal control weakness:

- An independent person should list all receipts and agree them back to the treasurer's receipts ledger.
- An independent person should open bank statements and review them for unusual items, such as debit memos, and overdraft charges. This can be documented by the person initialing the envelope or bank statement.
- An independent person should complete bank reconciliations or review the treasurer's bank reconciliations for accuracy. This can be documented by the person initialing the envelope or bank reconciliation.
- An independent person should compare Fiscal Court order approvals to invoices and cancelled checks.

*County Judge/Executive Raymond Hurst's Response: None.*

**PRIOR YEAR FINDINGS**

**Lacks Adequate Segregation of Duties**

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**



The Honorable Raymond Hurst, Wolfe County Judge/Executive  
Members of the Wolfe County Fiscal Court

Report On Internal Control Over Financial Reporting And  
On Compliance And Other Matters Based On An Audit Of Financial Statements  
Performed In Accordance With Government Auditing Standards

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Wolfe County, Kentucky, as of and for the year ended June 30, 2005, which collectively comprise the County's basic financial statements, as listed in the table of contents and have issued our report thereon dated June 6, 2006. Wolfe County presents its financial statements on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Wolfe County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Wolfe County's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying comment and recommendation.

- Lacks Adequate Segregation of Duties

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Report On Internal Control Over Financial Reporting  
And On Compliance And Other Matters Based On An Audit Of Financial  
Statements Performed In Accordance With Government Auditing Standards  
(Continued)

Internal Control Over Financial Reporting (Continued)

Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not consider the reportable condition described above to be a material weakness.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether Wolfe County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of management and the Governor's Office for Local Development and is not intended to be and should not be used by anyone other than the specified parties.

Respectfully submitted,

*Mountjoy & Bressler, LLP.*

Mountjoy & Bressler, LLP

Audit fieldwork completed -  
June 6, 2006

**CERTIFICATION OF COMPLIANCE -  
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM**

**WOLFE COUNTY FISCAL COURT**

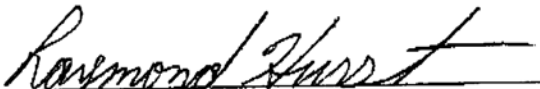
**For The Fiscal Year Ended  
June 30, 2005**

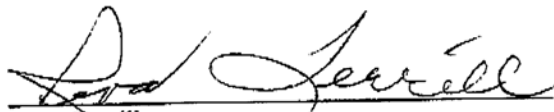


CERTIFICATION OF COMPLIANCE  
LOCAL GOVERNMENT ECONOMIC ASSISTANCE AND  
DEVELOPMENT PROGRAMS  
WOLFE COUNTY FISCAL COURT

June 30, 2005

The Wolfe County Fiscal Court hereby certifies that assistance received from the Local Government Economic Development Program and Local Government Economic Assistance Program was expended for the purposes intended as dictated by the Kentucky Revised Statutes.

  
Raymond Hurst  
County Judge/Executive

  
Reva Terrill  
County Treasurer